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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000446

SIPDIS

STATE FOR NEA/ARP, OES, IO AND L;  
GENEVA FOR LEGAL ADVISER;  
AMMAN FOR ESTH HUB OFFICER

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TAGS: [SENV](#) [EPET](#) [PREL](#) [EINV](#) [PGOV](#) [KU](#) [IZ](#)

SUBJECT: KUWAIT OIL LAKES LIKELY TO LINGER MUCH LONGER

REF: A. KUWAIT 323  
[B](#). KUWAIT 302  
[C](#). KUWAIT 155  
[D](#). KUWAIT 147  
[E](#). AMMAN 829

Classified By: EconCouns Oliver John for reasons 1.4 (b) and (d)

[1](#). (C) Summary: Officials from the Public Authority for Assessment of Compensation confirmed that 2009 is likely to pass without any action to remediate the 18-year old oil lakes affecting large areas of Kuwait,s desert. A cancelled tender process and political paralysis are largely to blame. A UNCC threat to suspend payments, however, may spur the GOK to proceed with project activity. End Summary.

No Progress on Environmental Remediation  
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[2](#). (C) Emboffs and visiting Amman ESTH Hub officer met the Public Authority for Assessment of Compensation (PAAC) on April 22 to discuss Kuwait,s environmental remediation plans for damages resulting from the 1991 Iraqi occupation (reftels). Naheel Al)Abdul Razzaq, Director of the Central Committee to supervise the implementation of environmental remediation projects, and Prof. Redha Al-Hasan, Kuwait,s National Focal Point representative on the committee, painted a bleak picture. Kuwait has received \$1.4 billion of the \$2.9 billion awarded for environmental remediation by the UN Compensation Fund. Kuwait risks future payments being suspended, however, due to a stipulation that remediation projects are to have started by the time 50 percent of the UN funds have been disbursed.

[3](#). (C) The environmental remediation program (KERP) had awarded an approximately \$200 million tender for a Project Planning and Supervision Consultants contract to Hill International (a U.S. entity). Razzaq noted that two other competing American entities (EMC2 and Liquid Capital) disputed the contract award to Hill to Kuwait,s Council of Ministers, believing that the award did not follow the stipulated UN procedures. (Note: other sources previously indicated that the Kuwait agents of rival foreign bidders initiated a whispering campaign to undermine the tender process leading to the Hill contract award; ref C and D. End Note). As a result of the current impasse, none of the remediation projects, originally envisioned to start by September 2009, are likely to kick-off. Al-Hasan who has taken on the burden of project planning and coordination is now trying to form smaller task-teams with local experts to complement the international experts. Al-Hasan sighed heavily, noting that the turbulence in Kuwaiti politics was also impeding his work since no government appointments could be made to support his efforts. He was not able to provide

any projections for when remediation projects might start.

#### Tough Nut To Crack

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¶4. (SBU) The PAAC leadership noted that stakeholders and the general populace continue to get impatient with the Kuwaiti government and see the sixty square kilometers of oil lakes not only as an eyesore, but also as an environmental and public health threat. The technical challenges of remediating the oil lakes are daunting. The UNCC is urging Kuwait to deploy six large 20 meter-deep landfills to remediate the oil lakes. PAAC believes there is no precedent for this anywhere in the world and alternatives technologies such as thermal absorption would perhaps be more appropriate. (Note: The Kuwaiti Oil Company issued a tender several years back to remediate the oil lakes and received 37 proposals ranging from using shovels, to sunflower husk, to thermal absorption. The project never got started. End Note). Another daunting technical challenge, according to PAAC, is the number of unexploded ordinances embedded in the oil lakes further complicating any remediation plan.

¶5. (C) The PAAC takes some solace from the fact that other countries awarded UNCC funds for environmental remediation have also made little progress. PAAC noted that Saudi Arabia which was awarded \$618 million is following Kuwait.<sup>8</sup> Similarly, Jordan with its \$160 million award is also lacking in any tangible progress (Ref E). According to PAAC, Iran which received very small compensation is the only country to have actually started some environmental remediation projects.

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#### UNCC Needs to Stay Alive

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¶6. (C) Razzaq expressed concern about USG and UK Government moves to disband the UNCC while the environmental claims process and payments were ongoing. She said that Kuwait was the only country left with outstanding environmental claims and it would be unfair to Kuwait to disband the UNCC. Since the UNCC supervises the environmental remediation work through 14 independent reviewers, disbanding this framework would further complicate the remediation plans. The PAAC officials asserted that Kuwait is willing to cover the UNCC costs over the coming years.

#### Kuwait Support for Iraq,s Coastal Zone Management

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¶7. (C) The PAAC also highlighted Kuwait,s support for Iraq in coastal zone management ) noting the excellent technical cooperation with Iraqi Ministry of Environment officials was sometimes complicated by the lack of cooperation from the Iraqi Foreign Ministry. Kuwait is awaiting Iraqi team nominations for work to proceed under the UNCC umbrella and has already contributed \$10 million in seed-funding to start rapid environmental assessments of the coastal zone. Kuwaiti press reports from April 28 quoted PAAC Chairman of the Board, Khaled Ahmad Al-Mudhaf referring to the UN Governing Councils encouragement for Kuwait-Iraq consultations under the UNCC auspices.

¶8. (C) Comment: The outlook for Kuwait self-managing and planning a complex remediation project such as the oil lakes -- after 18 years of inaction -- is bleak. The GOK, perhaps hardened to public criticism on this issue, appears to have only one likely catalyst to spur aggressive movement on this front, namely the potential for subsequent UNCC payments to be suspended (para 2). While certain U.S. firms might be well positioned to bid on future tender processes related to the KERP (given their expertise and capabilities), the cancellation of the Hill International contract will no doubt give American companies cause for serious concern. End Comment.

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